

House Study Bill 100 - Introduced

SENATE/HOUSE FILE _____

BY (PROPOSED AUDITOR OF STATE
BILL)

A BILL FOR

1 An Act concerning the duties and responsibilities of the
2 auditor of state.

3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. Section 11.1, Code 2011, is amended to read as
2 follows:

3 **11.1 Definitions.**

4 1. For purposes of this chapter, unless the context
5 otherwise requires:

6 a. The term ~~"department"~~ shall be construed to mean
7 "Department" means any authority charged by law with official
8 responsibility for the expenditure of public money of the state
9 and any agency receiving money from the general revenues of the
10 state.

11 b. "Examination" means procedures that are less in scope
12 than an audit but which are directed toward reviewing financial
13 activities and compliance with legal requirements.

14 c. "Governmental subdivision" means cities and
15 administrative agencies established by cities, hospitals or
16 health care facilities established by a city, counties, county
17 hospitals organized under chapters 347 and 347A, memorial
18 hospitals organized under chapter 37, entities organized under
19 chapter 28E, community colleges, area education agencies, and
20 school districts.

21 d. "Regents institutions" means the institutions governed by
22 the board of regents under section 262.7.

23 2. As used in this chapter, unless the context otherwise
24 requires, "book", "list", "record", or "schedule" kept by a
25 county auditor, assessor, treasurer, recorder, sheriff, or
26 other county officer means the county system as defined in
27 section 445.1.

28 Sec. 2. Section 11.2, subsection 1, Code 2011, is amended
29 to read as follows:

30 1. The auditor of state shall annually, and more often if
31 deemed necessary, ~~make a full settlement between~~ audit the
32 state and all state officers and departments and all persons
33 receiving or expending state funds, and shall annually make a
34 complete audit of the books and accounts of every department
35 of the state.

1 ~~a. Provided, except~~ that the accounts, records, and
2 documents of the treasurer of state shall be audited daily.

3 ~~b. Provided further, that a preliminary audit of the~~
4 ~~educational institutions and the state fair board shall be made~~
5 ~~periodically, at least quarterly, to check the monthly reports~~
6 ~~submitted to the director of the department of administrative~~
7 ~~services as required by section 8A.502, subsection 10, and that~~
8 ~~a final audit of such state agencies shall be made at the close~~
9 ~~of each fiscal year.~~

10 Sec. 3. Section 11.2, Code 2011, is amended by adding the
11 following new subsection:

12 NEW SUBSECTION. 1A. Departments shall immediately notify
13 the auditor of state regarding any suspected embezzlement,
14 theft, or other significant financial irregularities.

15 Sec. 4. Section 11.2, subsection 2, paragraphs a, b, and c,
16 Code 2011, are amended to read as follows:

17 a. The state board of regents shall make available to the
18 auditor of state and treasurer of state the most recent annual
19 report of any investment entity or investment professional
20 employed by an a regents institution ~~governed by the board.~~

21 b. All contracts or agreements with an investment entity or
22 investment professional employed by an a regents institution
23 ~~governed by the state board of regents~~ shall require the
24 investment entity or investment professional employed by an a
25 regents institution ~~governed by the state board of regents~~ to
26 notify in writing the state board of regents within thirty days
27 of receipt of all communication from an independent auditor
28 or the auditor of state or any regulatory authority of the
29 existence of a material weakness in internal control ~~structure,~~
30 or regulatory orders or sanctions against the investment
31 entity or investment professional, with regard to the type of
32 services being performed under the contracts or agreements.
33 This provision shall not be limited or avoided by another
34 contractual provision.

35 c. The audit under this section shall not be certified until

1 the most recent annual reports of any investment entity or
2 investment professional employed by an a regents institution
3 ~~governed by the state board of regents~~ are reviewed by the
4 auditor of state.

5 Sec. 5. Section 11.4, subsection 1, Code 2011, is amended
6 to read as follows:

7 1. The auditor of state shall make or cause to be made and
8 filed and kept in the auditor's office written reports of all
9 audits and examinations, which reports shall ~~set out in detail~~
10 include, if applicable, the following:

11 a. The ~~actual~~ financial condition of ~~such~~ the state or
12 ~~department found to exist on every examination.~~

13 b. Whether, in the auditor's opinion,

14 (1) ~~All funds~~ Funds have been expended for the purpose for
15 which appropriated.

16 (2) The department so audited ~~and~~ or examined is efficiently
17 conducted, and if the maximum results for the money expended
18 are obtained.

19 (3) The work of the departments so audited or examined
20 needlessly conflicts with or duplicates the work done by any
21 other department.

22 c. All illegal or unbusinesslike practices.

23 d. Any recommendations for greater simplicity, accuracy,
24 efficiency, or economy in the operation of the business of the
25 several departments and institutions.

26 ~~e. Comparisons of prices paid and terms obtained by the~~
27 ~~various departments for goods and services of like character~~
28 ~~and reasons for differences therein, if any.~~

29 ~~f.~~ e. Any other information which, in the auditor's
30 judgment, may be of value ~~to the auditor.~~

31 Sec. 6. Section 11.4, subsection 2, Code 2011, is amended by
32 striking the subsection.

33 Sec. 7. Section 11.5A, Code 2011, is amended to read as
34 follows:

35 11.5A Audit costs.

1 When requested by the auditor of state, the department of
2 management shall transfer from any unappropriated funds in
3 the state treasury an amount not exceeding the expenses and
4 prorated salary costs already paid to perform ~~examinations~~
5 audits of state executive departments and agencies, and
6 the offices of the judicial branch, and federal financial
7 assistance, as defined in Pub. L. No. ~~98-502~~ the federal Single
8 Audit Act, 31 U.S.C. § 7501, et seq., received by all other
9 departments, as listed in section 11.5B, for which payments by
10 agencies have not been made. Upon payment by the departments,
11 the auditor of state shall credit the payments to the state
12 treasury.

13 Sec. 8. Section 11.5B, unnumbered paragraph 1, Code 2011,
14 is amended to read as follows:

15 The auditor of state shall be reimbursed by a department
16 or agency for performing audits or examinations of the
17 following state departments or agencies, or funds received by
18 a department or agency:

19 Sec. 9. Section 11.5B, subsection 13, Code 2011, is amended
20 to read as follows:

21 13. Federal financial assistance, as defined in Pub. L. No.
22 ~~98-502~~ the federal Single Audit Act, 31 U.S.C. § 7501, et seq.,
23 received by all other departments.

24 Sec. 10. Section 11.6, subsection 1, paragraph a, Code 2011,
25 is amended to read as follows:

26 a. (1) The Except for entities organized under chapter
27 28E having gross receipts of one hundred thousand dollars or
28 less in a fiscal year, the financial condition and transactions
29 of all cities and city offices, counties, county hospitals
30 organized under chapters 347 and 347A, memorial hospitals
31 organized under chapter 37, entities organized under chapter
32 28E having gross receipts in excess of one hundred thousand
33 dollars in a fiscal year, merged areas, area education
34 agencies, and all school offices in school districts,
35 government subdivisions shall be examined audited at least once

1 each year, except that cities having a population of seven
2 hundred or more but less than two thousand shall be examined at
3 least once every four years, and cities having a population of
4 less than seven hundred may be examined as otherwise provided
5 in this section. ~~The examination shall cover the fiscal year~~
6 ~~next preceding the year in which the audit is conducted.~~ The
7 examination audit of school ~~offices~~ districts shall include
8 an audit of all school funds including categorical funding
9 provided by the state, the certified annual financial report,
10 the certified enrollment as provided in section 257.6,
11 supplementary weighting as provided in section 257.11, and the
12 revenues and expenditures of any nonprofit school organization
13 established pursuant to section 279.62. Differences in
14 certified enrollment shall be reported to the department of
15 management. The ~~examination~~ audit of school ~~offices~~ districts
16 shall include at a minimum a determination that the laws of
17 the state are being followed, that categorical funding is not
18 used to supplant other funding except as otherwise provided,
19 that supplementary weighting is pursuant to an eligible
20 sharing condition, and that postsecondary courses provided in
21 accordance with section 257.11 and chapter 261E supplement,
22 rather than supplant, school district courses. The ~~examination~~
23 audit of a city that owns or operates a municipal utility
24 providing local exchange services pursuant to chapter 476 shall
25 include ~~an audit~~ performing tests of the city's compliance with
26 section 388.10. The ~~examination~~ audit of a city that owns
27 or operates a municipal utility providing telecommunications
28 services pursuant to section 388.10 shall include ~~an audit~~
29 performing tests of the city's compliance with section 388.10.

30 (2) Subject to the exceptions and requirements of
31 ~~subsection~~ subsections 2 and 3, and subsection 4, paragraph
32 "a", subparagraph (3), ~~examinations~~ audits shall be made as
33 determined by the governmental subdivision either by the
34 auditor of state or by certified public accountants, certified
35 in the state of Iowa, and they shall be paid from the proper

1 public funds of the governmental subdivision.

2 Sec. 11. Section 11.6, subsection 1, Code 2011, is amended
3 by adding the following new paragraph:

4 NEW PARAGRAPH. *Ob.* The financial condition and transactions
5 of community mental health centers organized under chapter
6 230A, substance abuse programs organized under chapter 125, and
7 community action agencies organized under chapter 216A, shall
8 be audited at least once each year.

9 Sec. 12. Section 11.6, subsection 1, paragraph b, Code 2011,
10 is amended to read as follows:

11 *b.* (1) In conjunction with the audit of the governmental
12 subdivision required under this section, the ~~person performing~~
13 ~~the audit~~ auditor shall also perform tests for compliance with
14 the investment policy of ~~a reasonable number of investment~~
15 ~~transactions in relation to the total investments and quantity~~
16 ~~of transactions in the period audited~~ the governmental
17 subdivision. The results of the compliance testing shall
18 be reported in accordance with generally accepted auditing
19 standards. The ~~person performing the audit~~ auditor may also
20 make recommendations for changes to investment policy or
21 practices. The governmental subdivision is responsible for the
22 remedy of reported noncompliance with its policy or practices.

23 (2) (a) As part of its audit, the governmental subdivision
24 is responsible for obtaining and providing to the ~~person~~
25 ~~performing the audit~~ auditor the audited financial statements
26 and related report on internal control ~~structure~~ of outside
27 persons, performing any of the following during the period
28 under audit for the governmental subdivision:

29 (i) Investing public funds.

30 (ii) Advising on the investment of public funds.

31 (iii) Directing the deposit or investment of public funds.

32 (iv) Acting in a fiduciary capacity for the governmental
33 subdivision.

34 (b) The audit under this section shall not be certified
35 until all material information required by this subparagraph is

1 reviewed by the ~~person performing the audit~~ auditor.

2 (3) The review by the ~~person performing the audit~~ auditor of
3 the most recent annual report to shareholders of an open-end
4 management investment company or an unincorporated investment
5 company or investment trust registered with the federal
6 securities and exchange commission under the federal Investment
7 Company Act of 1940, 15 U.S.C. § 80a, pursuant to 17 C.F.R.
8 § 270.30d-1 or the review, by the ~~person performing the audit~~
9 auditor, of the most recent annual report to shareholders, call
10 reports, or the findings pursuant to a regular examination
11 under state or federal law, to the extent the findings are
12 not confidential, of a bank, savings and loan association, or
13 credit union shall satisfy the review requirements of this
14 paragraph.

15 (4) All contracts or agreements with outside persons
16 performing any of the functions listed in subparagraph (2)
17 shall require the outside person to notify in writing the
18 governmental subdivision within thirty days of receipt of all
19 communication from the ~~person performing the audit~~ auditor
20 or any regulatory authority of the existence of a material
21 weakness in internal control ~~structure~~, or regulatory orders or
22 sanctions against the outside person, with regard to the type
23 of services being performed under the contracts or agreements.
24 This provision shall not be limited or avoided by another
25 contractual provision.

26 (5) As used in this subsection, "*outside person*" excludes a
27 bank, savings and loan association, or credit union when acting
28 as an approved depository pursuant to chapter 12C.

29 (6) A joint investment trust organized pursuant to chapter
30 28E shall file the audit reports required by this chapter with
31 the administrator of the securities and regulated industries
32 bureau of the insurance division of the department of commerce
33 within ten days of receipt from the auditor. The auditor of
34 a joint investment trust shall provide written notice to the
35 administrator of the time of delivery of the reports to the

1 joint investment trust.

2 (7) If during the course of an audit of a joint investment
3 trust organized pursuant to chapter 28E, the auditor determines
4 the existence of a material weakness in the internal control
5 ~~structure~~ or a material violation of the internal control
6 ~~structure~~, the auditor shall report the determination to the
7 joint investment trust which shall notify the administrator in
8 writing within twenty-four hours, and provide a copy of the
9 notification to the auditor. The auditor shall provide, within
10 twenty-four hours of the receipt of the copy of the notice,
11 written acknowledgment of the receipt to the administrator.
12 If the joint investment trust does not make the notification
13 within twenty-four hours, or the auditor does not receive a
14 copy of the notification within twenty-four hours, the auditor
15 shall immediately notify the administrator in writing of the
16 material weakness in the internal control ~~structure~~ or the
17 material violation of the internal control ~~structure~~.

18 Sec. 13. Section 11.6, subsection 2, Code 2011, is amended
19 to read as follows:

20 2. ~~a.~~ A ~~city, community college, school district, area~~
21 ~~education agency, entity organized under chapter 28E, county,~~
22 ~~county hospital, or memorial hospital~~ governmental subdivision,
23 community mental health center, substance abuse program, or
24 community action agency desiring to contract with or employ
25 certified public accountants shall utilize procedures which
26 include a written request for proposals.

27 ~~b.~~ ~~The governing body of a city, community college, school~~
28 ~~district, area education agency, entity organized under chapter~~
29 ~~28E, county, county hospital, or memorial hospital utilizing~~
30 ~~the auditor of state instead of a certified public accountant~~
31 ~~to perform an audit shall notify the auditor of state by June~~
32 ~~1 of the year to be audited. If the governing body fails~~
33 ~~to notify the auditor of state of the decision to use the~~
34 ~~auditor of state, the auditor of state may perform the audit~~
35 ~~required in subsection 1 only if provisions are not made by the~~

1 ~~governing body to contract for the audit.~~

2 Sec. 14. Section 11.6, subsection 3, Code 2011, is amended
3 to read as follows:

4 3. A township or city for which ~~examinations~~ audits are not
5 required under subsection 1 may contract with or employ the
6 auditor of state or certified public accountants for an audit
7 or examination of its financial transactions and condition of
8 its funds. ~~A financial examination~~ An audit is mandatory on
9 application by one hundred or more taxpayers, or if there are
10 fewer than five hundred taxpayers in the township or city, then
11 by fifteen percent of the taxpayers. Payment for the audit or
12 examination shall be made from the proper public funds of the
13 township or city.

14 Sec. 15. Section 11.6, subsection 4, Code 2011, is amended
15 to read as follows:

16 4. a. In addition to the powers and duties under other
17 provisions of the Code, the auditor of state may at any time
18 cause to be made a complete or partial reaudit of the financial
19 condition and transactions of any ~~city, county, county~~
20 ~~hospital, memorial hospital, entity organized under chapter~~
21 ~~28E, merged area, area education agency, school corporation,~~
22 ~~township, or other~~ governmental subdivision, or an office
23 of any ~~of these~~ governmental subdivision, if ~~one~~ any of the
24 following conditions exists:

25 (1) The auditor of state has probable cause to believe
26 such action is necessary in the public interest because of a
27 material deficiency in an audit of the governmental subdivision
28 filed with the auditor of state or because of a substantial
29 failure of the audit to comply with the standards and
30 procedures established and published by the auditor of state.

31 (2) The auditor of state receives from an elected official
32 or employee of the governmental subdivision a written
33 request for a complete or partial reaudit of the governmental
34 subdivision.

35 (3) The auditor of state receives a petition signed by at

1 least ~~fifty~~ one hundred eligible electors of the governmental
2 subdivision requesting a complete or partial reaudit of the
3 governmental subdivision. If the governmental subdivision has
4 not contracted with or employed a certified public accountant
5 to perform an audit of the fiscal year in which the petition
6 is received by the auditor of state, the auditor of state may
7 perform an audit required by subsection 1 or 3.

8 **b.** The ~~state audit~~ reaudit shall be paid from the proper
9 public funds available in the office of the auditor of
10 state. In the event the audited governmental subdivision
11 recovers damages from a person performing a previous audit
12 due to negligent performance of that audit or breach of the
13 audit contract, the auditor of state shall be entitled to
14 reimbursement on an equitable basis for funds expended from any
15 recovery made by the governmental subdivision.

16 ~~c. An examination under this subsection shall include~~
17 ~~a determination of whether investments by the governmental~~
18 ~~subdivision are authorized by state law.~~

19 Sec. 16. Section 11.6, subsection 7, Code 2011, is amended
20 to read as follows:

21 7. The auditor of state shall make guidelines available
22 to the public setting forth accounting and auditing standards
23 and procedures and audit and legal compliance programs to
24 be applied in the ~~examination~~ audit of the governmental
25 subdivisions of the state, which shall require a review of ~~the~~
26 internal control ~~structure~~ and specify testing of ~~transactions~~
27 for compliance. The guidelines shall include a requirement
28 that the certified public accountant and governmental
29 subdivision immediately notify the auditor of state regarding
30 any suspected embezzlement, ~~or~~ theft, or other significant
31 financial irregularities. The auditor of state shall also
32 provide standard reporting formats for use in reporting the
33 results of an ~~examination~~ audit of a governmental subdivision.

34 Sec. 17. Section 11.6, subsection 9, Code 2011, is amended
35 to read as follows:

1 9. The Accounts of the Iowa state association of counties
2 ~~shall keep accounts as required by the auditor of state. These~~
3 ~~accounts,~~ the Iowa league of cities, and the Iowa association
4 of school boards shall be audited annually by either the
5 auditor of state or a certified public accountant certified in
6 the state of Iowa. The audit shall state all moneys expended
7 for expenses incurred by and salaries paid to legislative
8 representatives and lobbyists of the association audited.

9 Sec. 18. Section 11.6, subsection 10, Code 2011, is amended
10 to read as follows:

11 10. The auditor of state shall adopt rules in accordance
12 with chapter 17A to establish and collect a filing fee for
13 the filing of each report of audit or examination conducted
14 pursuant to subsections 1 through 3. The funds collected shall
15 be maintained in a segregated account for use by the office of
16 the auditor of state in performing ~~audits conducted~~ its duties
17 pursuant to ~~subsection 4 and for work paper reviews conducted~~
18 ~~pursuant to subsection 5~~ this section. Any funds collected
19 by the auditor pursuant to subsection 4 shall be deposited in
20 this account. Notwithstanding section 8.33, the funds in this
21 account shall not revert at the end of any fiscal year.

22 Sec. 19. Section 11.6, Code 2011, is amended by adding the
23 following new subsection:

24 NEW SUBSECTION. 11. Each governmental subdivision shall
25 keep its records and accounts in such form and by such methods
26 as to be able to exhibit in its reports the matters required
27 by the auditor of state, unless a form or method is otherwise
28 specifically prescribed by law. Each governmental subdivision
29 shall keep its records and accounts in current condition.

30 Sec. 20. Section 11.11, Code 2011, is amended by striking
31 the section and inserting in lieu thereof the following:

32 **11.11 Scope of audits.**

33 The written report of the audit of a governmental
34 subdivision shall include the auditor's opinion as to whether a
35 governmental subdivision's financial statements are presented

1 fairly in all material respects in conformity with generally
2 accepted accounting principles or with an other comprehensive
3 basis of accounting. As a part of conducting an audit of a
4 governmental subdivision, an evaluation of internal control
5 and tests for compliance with laws and regulations shall be
6 performed.

7 Sec. 21. Section 11.14, Code 2011, is amended to read as
8 follows:

9 **11.14 Reports — public inspection.**

10 1. A written report of ~~such examination~~ an audit or
11 examination shall be made ~~in triplicate signed and verified by~~
12 ~~the officers making the examination; one copy to be provided~~
13 to the governmental subdivision and filed with the auditor of
14 state, ~~one copy with the officer under investigation, and one~~
15 ~~copy to the county auditor who shall transmit same to the board~~
16 ~~of supervisors if a county office is under investigation, or~~
17 ~~with the president of the school board if a school is under~~
18 ~~investigation, or with the mayor and the council if a city~~
19 ~~office is under examination.~~ All reports shall be open to
20 public inspection, including copies on file in the office
21 of the state auditor, and refusal on the part of any public
22 official to permit such inspection when such reports have
23 been filed with the state auditor shall constitute a simple
24 misdemeanor.

25 2. In addition to ~~the foregoing subsection 1,~~ notice that
26 the report has been filed shall be forwarded immediately to
27 each newspaper, radio station, or television station located
28 ~~in the county, municipality or school district which is under~~
29 ~~investigation or audit; except that~~ governmental subdivision
30 that was audited or examined. However, if there is no
31 newspaper, radio station, or television station located ~~therein~~
32 in the governmental subdivision, such notice shall be sent to
33 the official newspapers of the county.

34 Sec. 22. Section 11.19, Code 2011, is amended to read as
35 follows:

1 **11.19 Auditor's powers and duties.**

2 1. Where an audit or examination is made under contract
3 with, or employment of, certified ~~or registered~~ public
4 accountants, the auditor shall, in all matters pertaining to
5 an authorized audit or examination, have all of the powers and
6 be vested with all the authority of state auditors employed by
7 the auditor of state, and the cost ~~and expense~~ of the audit
8 or examination shall be paid by the ~~city, school district,~~
9 ~~or township governmental subdivision~~ procuring the audit or
10 examination. ~~An itemized sworn~~ A detailed statement of the
11 ~~per diem and expense cost~~ of the auditor audit or examination
12 shall be filed with the ~~clerk of the city, township, or school~~
13 ~~district, before payment thereof~~ governmental subdivision.
14 Upon completion of such audit or examination, a signed copy
15 ~~thereof of the report and a detailed, itemized statement~~
16 of cost, including hours spent performing the audit or
17 examination, shall be filed ~~by the accountant employed with the~~
18 auditor of state in a manner specified by the auditor of state.

19 ~~All reports shall be open to public inspection, including~~
20 ~~copies on file in the office of the state auditor, and refusal~~
21 ~~on the part of any public official to permit such inspection~~
22 ~~when such reports have been filed with the state auditor, shall~~
23 ~~constitute a simple misdemeanor.~~

24 ~~In addition to the foregoing, notice that the report has~~
25 ~~been filed shall be forwarded immediately to each newspaper,~~
26 ~~radio station or television station located in the city,~~
27 ~~school district or township which is under investigation or~~
28 ~~audit; except that if there is no newspaper, radio station or~~
29 ~~television station located therein, the notice shall be sent to~~
30 ~~the official newspapers of the county.~~

31 2. Failure to file the report and the statement of cost
32 with the auditor of state within thirty days after receiving
33 notification of not receiving the audit report and the
34 statement of cost shall bar the accountant from making any
35 governmental subdivision audits or examinations under section

1 11.6 for the following fiscal year.

2 Sec. 23. Section 11.20, Code 2011, is amended to read as
3 follows:

4 **11.20 Bills — audit and payment.**

5 If the audit or examination is made by the auditor of state
6 under this chapter, each auditor shall file with the auditor
7 of state an itemized, certified and sworn voucher of time and
8 ~~expense for the time that~~ the auditor is actually engaged in
9 the audit or examination. The salaries shall be included in
10 a two-week payroll period. Upon approval of the auditor of
11 state the director of the department of administrative services
12 may issue warrants for the payment of the vouchers and salary
13 payments, ~~including a prorated amount for vacation and sick~~
14 ~~leave,~~ from any unappropriated funds in the state treasury.
15 Repayment to the state shall be made as provided by section
16 11.21.

17 Sec. 24. Section 11.21, Code 2011, is amended to read as
18 follows:

19 **11.21 Repayment — objections.**

20 1. Upon payment by the state of the salary and expenses,
21 the auditor of state shall file with the warrant-issuing
22 officer of the ~~county, municipality or school,~~ governmental
23 subdivision whose offices were audited or examined, a sworn
24 statement consisting of the itemized expenses paid and prorated
25 salary costs paid under section 11.20. Upon ~~audit and~~ approval
26 by the ~~board of supervisors, council or school board,~~ the
27 ~~warrant-issuing officer shall draw a warrant for the amount~~
28 ~~on the county, or on the general fund of the municipality or~~
29 ~~school in favor of the auditor of state, which warrant shall be~~
30 ~~placed to the credit of the general fund of the state governing~~
31 body of the governmental subdivision, payment shall be made
32 from the proper public funds of the governmental subdivision.
33 In the event of the disapproval by the governing body of the
34 governmental subdivision of any items ~~of said~~ included on the
35 ~~statement by the county, municipality, or school authorities,~~

1 written objections shall be filed with the auditor of state
2 within thirty days from the filing ~~thereof~~ of the sworn
3 statement with the warrant-issuing officer of the governmental
4 subdivision. Disapproved items of the statement shall be paid
5 the auditor of state upon receiving final decisions emanating
6 from public hearing established by the auditor of state.

7 2. Whenever the ~~county board of supervisors, the school~~
8 ~~board, or the council shall file~~ governing body of the
9 governmental subdivision files written objections on the
10 question of compensation and expenses with the auditor of
11 state, the auditor or the auditor's representative shall hold
12 a public hearing in the ~~municipality~~ governmental subdivision
13 where the audit or examination was made and shall give the
14 complaining board notice of the time and place of hearing.
15 After such hearing the auditor shall have the power to reduce
16 the compensation and expenses of the auditor whose bills have
17 been questioned. ~~Any auditor who shall be found guilty of~~
18 ~~falsifying an expense voucher or engagement report shall be~~
19 ~~immediately discharged by the auditor of state and shall not~~
20 ~~be eligible for re-employment. Such auditor must thereupon~~
21 ~~reimburse the auditor of state for all such compensation and~~
22 ~~expenses so found to have been overpaid and in the event of~~
23 ~~failure to do so, the auditor of state may collect the same~~
24 ~~amount from the auditor's surety by suit, if necessary.~~

25 Sec. 25. Section 11.28, Code 2011, is amended to read as
26 follows:

27 **11.28 Individual audit or examination reports — ~~copies~~.**

28 ~~1. The individual audit~~ Audit or examination reports
29 shall include applicable exhibits, and schedules to report
30 ~~data similar to that required by section 11.4, findings, and~~
31 recommendations. The format of the reports shall ~~as nearly~~
32 ~~as possible correspond and be prepared similar in form to~~
33 ~~the audit reports rendered by certified public accountants~~
34 comply with applicable professional accounting and auditing
35 standards or procedures established by the auditor of state.

1 ~~The reports shall include information as to the assets and~~
2 ~~liabilities of the various departments and institutions audited~~
3 ~~as of the beginning and close of the fiscal year audited, the~~
4 ~~receipts and expenditures of cash, the disposition of materials~~
5 ~~and other properties, and the net income and net operating~~
6 ~~cost.~~ Where applicable, the reports shall also set forth
7 the average cost per year for the inmates, members, clients,
8 patients, and students served in the various classifications
9 of expenses. The reports shall make comparisons of the
10 average costs and classifications, and shall give such other
11 information, suggestions, and recommendations as may be deemed
12 of advantage and to the best interests of the taxpayers of the
13 state.

14 2. ~~The daily audit report of the state treasury shall be~~
15 ~~submitted to the director of the department of administrative~~
16 ~~services and the director of the department of management.~~
17 ~~Copies of all individual audit reports of all state departments~~
18 ~~and establishments shall be transmitted to the directors'~~
19 ~~offices after the completion of each audit, and copies of all~~
20 ~~local government audits shall, until otherwise provided, be~~
21 ~~also supplied to the directors' offices. Copies of the local~~
22 ~~government audit reports shall also be supplied to the officers~~
23 ~~of the counties, schools, and cities, as provided by law.~~
24 ~~Summaries of the findings, recommendations, and comparisons,~~
25 ~~together with any other information deemed essential, shall be~~
26 ~~printed and distributed to members of the general assembly.~~

27 Sec. 26. Section 11.32, Code 2011, is amended to read as
28 follows:

29 **11.32 Certified accountants employed.**

30 Nothing in this chapter ~~will~~ shall prohibit the auditor
31 of state, with the prior written permission of the state
32 executive council, from employing certified public accountants
33 ~~or registered public accountants~~ for specific assignments.
34 ~~Under the provision of this section, the~~ The auditor of state
35 may employ such accountants for any assignment now expressly

1 reserved to the auditor of state. Payments, after approval
2 by the executive council, will be made to the accountants so
3 employed from funds from which the auditor of state would have
4 been paid had the auditor of state performed the assignment, or
5 if no such specific funds are indicated, then payment will be
6 made from the funds of the executive council.

7 Sec. 27. Section 11.41, Code 2011, is amended by adding the
8 following new subsection:

9 NEW SUBSECTION. 1A. Auditors shall have the right while
10 conducting audits or examinations to have full access to all
11 papers, books, records, and documents of any officers or
12 employees and shall have the right, in the presence of the
13 custodian or the custodian's designee, to have full access
14 to the cash drawers and cash in the official custody of the
15 officer or employee and, during business hours, to examine the
16 public accounts of the department or governmental subdivision
17 in any depository which has public funds in its custody
18 pursuant to the law.

19 Sec. 28. NEW SECTION. 11.42 **Disclosures prohibited.**

20 1. Notwithstanding chapter 22, information received during
21 the course of any audit or examination, including allegations
22 of misconduct or noncompliance, and all audit or examination
23 work papers shall be maintained as confidential.

24 2. Information maintained as confidential as provided by
25 this section may be disclosed for any of the following reasons:

26 a. As necessary to complete the audit or examination.

27 b. To the extent the auditor is required by law to report
28 the same or to testify in court.

29 3. Upon completion of an audit or examination, a report
30 shall be prepared as required by section 11.28 and all
31 information included in the report shall be public information.

32 4. Any violation of this section shall be grounds for
33 termination of employment with the auditor of state.

34 Sec. 29. NEW SECTION. 11.51 **Subpoenas.**

35 The auditor of state shall, in all matters pertaining to an

1 authorized audit or examination, have power to issue subpoenas
2 of all kinds, administer oaths and examine witnesses, either
3 orally or in writing, and the expense attending the same,
4 including the expense of taking oral examinations, shall be
5 paid as other expenses of the auditor.

6 Sec. 30. NEW SECTION. 11.52 Refusal to testify.

7 In case any witness duly subpoenaed refuses to attend, or
8 refuses to produce documents, books, and papers, or attends
9 and refuses to make oath or affirmation, or, being sworn or
10 affirmed, refuses to testify, the auditor of state or the
11 auditor's designee may apply to the district court, or any
12 judge of said district having jurisdiction thereof, for the
13 enforcement of attendance and answers to questions as provided
14 by law in the matter of taking depositions.

15 Sec. 31. NEW SECTION. 11.53 Report filed with county
16 attorney.

17 If an audit or examination discloses any irregularity in the
18 collection or disbursement of public funds, in the abatement
19 of taxes, or other findings the auditor believes represent
20 significant noncompliance, a copy of the report shall be filed
21 with the county attorney, and it shall be the county attorney's
22 duty to cooperate with the state auditor, and, in proper cases,
23 with the attorney general, to secure the correction of the
24 irregularity.

25 Sec. 32. NEW SECTION. 11.54 Duty of attorney general.

26 In the event an audit or examination discloses any grounds
27 which would be grounds for removal from office, a copy of the
28 report shall be provided and filed by the auditor of state in
29 the office of the attorney general of the state, who shall
30 thereupon take such action as, in the attorney general's
31 judgment, the facts and circumstances warrant.

32 Sec. 33. NEW SECTION. 11.55 State auditors.

33 1. The auditor of state shall appoint such number of state
34 auditors as may be necessary to make audits and examinations as
35 required in this chapter. The auditors shall be of recognized

1 skill and integrity and familiar with the system of accounting
2 used in departments or governmental subdivisions and with the
3 laws relating to the affairs of departments or governmental
4 subdivisions. Such auditors shall be subject at all times to
5 the direction of the auditor of state.

6 2. The auditor of state shall appoint such additional
7 assistants to the auditors as may be necessary, who shall be
8 subject to discharge at any time by the auditor of state.

9 3. Any auditor or assistant who is found guilty of
10 falsifying a time and expense voucher or engagement report
11 shall be immediately discharged by the auditor of state and
12 shall not be eligible for reemployment. Such auditor or
13 assistant must thereupon reimburse the auditor of state for all
14 such compensation and expenses so found to have been overpaid
15 and in the event of failure to do so, the auditor of state may
16 collect the same amount from the auditor's surety by suit, if
17 necessary.

18 Sec. 34. Section 123.58, Code 2011, is amended to read as
19 follows:

20 **123.58 Auditing.**

21 All provisions of sections 11.6, ~~11.7, 11.10,~~ 11.11,
22 11.14, 11.21, 11.41, and ~~11.23~~ 11.55, relating to auditing of
23 financial records of governmental subdivisions which are not
24 inconsistent with this chapter are applicable to the division
25 and its offices, warehouses, and depots.

26 Sec. 35. Section 125.55, Code 2011, is amended to read as
27 follows:

28 **125.55 Audits.**

29 All licensed substance abuse programs are subject to
30 annual audit either by the auditor of state or in lieu
31 of ~~the examination~~ an audit by the auditor of state the
32 substance abuse program may contract with or employ certified
33 public accountants to conduct the audit, in accordance with
34 sections 11.6, 11.14, and 11.19. The audit format shall be
35 as prescribed by the auditor of state. The certified public

1 accountant shall submit a copy of the audit to the director.
2 A licensed substance abuse program is also subject to special
3 audits as the director requests. The licensed substance abuse
4 program or the department shall pay all expenses incurred by
5 the auditor of state in conducting an audit under this section.

6 Sec. 36. Section 216A.98, Code 2011, is amended to read as
7 follows:

8 **216A.98 Audit.**

9 Each community action agency shall be audited annually but
10 shall not be required to obtain a duplicate audit to meet the
11 requirements of this section. In lieu of an audit by the
12 auditor of state, the community action agency may contract
13 with or employ a certified public accountant to conduct
14 the audit, pursuant to the applicable terms and conditions
15 prescribed by sections 11.6, 11.14, and 11.19 and an audit
16 format prescribed by the auditor of state. Copies of each
17 audit shall be furnished to the division in a manner prescribed
18 by the division.

19 Sec. 37. Section 230A.16, subsection 3, Code 2011, is
20 amended to read as follows:

21 3. Arrange for the financial condition and transactions
22 of the community mental health center to be audited once
23 each year by the auditor of state. However, in lieu of an
24 audit by state accountants, the local governing body of a
25 community mental health center organized under this chapter may
26 contract with or employ certified public accountants to conduct
27 the audit, pursuant to the applicable terms and conditions
28 prescribed by sections 11.6, 11.14, and 11.19 and audit format
29 prescribed by the auditor of state. Copies of each audit shall
30 be furnished by the accountant to the administrator of the
31 division of mental health and disability services and the board
32 of supervisors supporting the audited community mental health
33 center.

34 Sec. 38. Section 279.38, subsection 2, Code 2011, is amended
35 to read as follows:

1 2. The financial condition and transactions of the Iowa
2 association of school boards shall be audited ~~in the same~~
3 ~~manner as school corporations~~ as provided in section 11.6.
4 In addition, annually the Iowa association of school boards
5 shall publish a listing of the school districts and the
6 annual dues paid by each, the total revenue the association
7 receives from each school district resulting from the payment
8 of membership fees and the sale of products and services to
9 the school district by the association or its affiliated
10 for-profit entities, and shall publish an accounting of all
11 moneys expended for expenses incurred by and salaries paid to
12 legislative representatives and lobbyists of the association.
13 In addition, the association shall submit to the general
14 assembly copies of all reports the association provides to
15 the United States department of education relating to federal
16 grants and grant amounts that the association or its affiliated
17 for-profit entities administer or distribute to school
18 districts. The Iowa association of school boards is subject
19 to chapters 21 and 22 relating to open meetings and public
20 records.

21 Sec. 39. Section 331.756, subsection 11, Code 2011, is
22 amended to read as follows:

23 11. Cooperate with the auditor of state to secure correction
24 of a financial irregularity as provided in section ~~11.15~~ 11.53.

25 Sec. 40. Section 364.5, unnumbered paragraph 2, Code 2011,
26 is amended to read as follows:

27 The financial condition and the transactions of the Iowa
28 league of cities shall be audited ~~in the same manner as cities~~
29 as provided in section 11.6.

30 Sec. 41. REPEAL. Sections 11.7 through 11.10, 11.12, 11.13,
31 11.15 through 11.17, 11.23, 11.25, and 11.27, Code 2011, are
32 repealed.

33 EXPLANATION

34 This bill makes changes relating to the duties and
35 responsibilities of the auditor of state.

1 Code section 11.1 is amended to define examination as a
2 procedure less in scope than an audit but which is directed
3 at reviewing financial activities and compliance with legal
4 requirements. "Governmental subdivision" is also defined to
5 mean cities, administrative agencies of cities, city hospitals,
6 counties, county hospitals, memorial hospitals, Code chapter
7 28E entities, community colleges, area education agencies, and
8 school districts.

9 Code section 11.2, concerning annual settlements and audits,
10 is amended to eliminate language referring to settlement
11 between state officers and persons receiving or expending state
12 funds, but the requirement to make an annual audit remains.
13 The Code section is also amended to eliminate the requirement
14 to make a quarterly preliminary audit of the educational
15 institutions of the state and the state fair board. The Code
16 section is also amended to provide that departments notify the
17 auditor regarding any suspected embezzlement, theft, or other
18 financial irregularities.

19 Code section 11.4, concerning reports of audits, is amended
20 to eliminate the requirement that the written reports contain
21 comparisons of prices paid and terms obtained by the various
22 departments for goods and services and the reasons, if any, if
23 they differ.

24 Code section 11.6, concerning the auditing and examination
25 of governmental subdivisions, is amended.

26 Code section 11.6(1), concerning what governmental
27 subdivisions are subject to audit, is amended. The bill adds
28 community mental health centers, substance abuse programs, and
29 community action agencies to the list of entities requiring an
30 annual audit.

31 Code section 11.6(2), concerning the employment of certified
32 public accountants by a governmental subdivision, is amended to
33 provide that a written request for proposals process be used to
34 employ such accountants.

35 Code section 11.6(4) is amended to increase from 50 to 100

1 the number of eligible electors of a governmental subdivision
2 needed to sign a petition for a reaudit of that governmental
3 subdivision.

4 Code section 11.6(7), concerning notification of suspected
5 theft or embezzlement, is amended to provide that governmental
6 subdivisions are also required to provide this notice and to
7 provide that the certified public accountant performing the
8 audit and the governmental subdivision also notify the auditor
9 of state if other significant financial irregularities are
10 suspected.

11 Code section 11.6(9) is amended to include the Iowa league of
12 cities and the Iowa association of school boards as entities
13 to be audited on an annual basis. Current law provides for an
14 audit of these entities under Code sections 279.38 and 364.5
15 and those Code sections are amended to reflect placement of
16 this requirement to audit in Code section 11.6.

17 Code section 11.6 is amended by adding a new subsection that
18 provides that governmental subdivisions keep records current
19 and in a format to exhibit in the reports the matters required
20 by the auditor of state.

21 Code section 11.7, concerning appointment of state
22 auditors, is repealed, but the substance of the Code section
23 is transferred to new Code section 11.55, except that the bill
24 would remove the current bond requirement of \$2,000 for each
25 state auditor.

26 Code section 11.8, concerning assistants to state auditors,
27 is repealed, but the substance of the Code section is
28 transferred to new Code section 11.55.

29 Code section 11.9, concerning certain local government
30 auditors' salaries and expenses, is repealed.

31 Code section 11.10, concerning examinations, is repealed,
32 but the substance of the Code section is transferred to Code
33 section 11.41, subsection 1A.

34 Code section 11.11, concerning scope of audits, is amended
35 to provide that the audit include an opinion about whether

1 a governmental subdivision's financial statements are in
2 conformity with generally accepted accounting principles or
3 with an other comprehensive basis of accounting.

4 Code section 11.12, concerning subpoenas, is repealed, but
5 the substance of the Code section is transferred to new Code
6 section 11.51.

7 Code section 11.13, concerning refusal to testify, is
8 repealed, but the substance of the Code section is transferred
9 to new Code section 11.52.

10 Code section 11.14, concerning reports and public
11 inspection, is amended to provide that written audit or
12 examination reports shall be provided to the governmental
13 subdivision and filed with the auditor of state. Current
14 requirements to produce reports in triplicate and to deliver
15 copies to certain designated individuals is eliminated.

16 Code section 11.15, concerning reports filed with the county
17 attorney, is repealed, but the substance of the Code section is
18 transferred to new Code section 11.53.

19 Code section 11.16, concerning the duty of the attorney
20 general, is repealed, but the substance of the Code section is
21 transferred to new Code section 11.54.

22 Code section 11.17, concerning prohibited disclosures, is
23 repealed, but the substance of the Code section is transferred
24 to new Code section 11.42.

25 Code section 11.19, concerning the auditor's powers and
26 duties, is amended to eliminate the requirement that reports be
27 open to public inspection and eliminates the criminal penalty
28 for failing to permit inspection of reports that have been
29 filed with the auditor of state. Provisions concerning the
30 forwarding of notice that a report has been filed to the local
31 media are also stricken from this Code section. Code section
32 11.14 still provides that the report is available for public
33 inspection and submitted to local media.

34 Code section 11.20, concerning salary payments to auditors,
35 is amended by striking the provision allowing for a prorated

1 amount for vacation and sick leave.

2 Code section 11.21, concerning repayment of auditors, is
3 amended to provide that the provisions of this Code section
4 apply to governmental subdivisions. The provision of this
5 Code section providing for the discharge of auditors who shall
6 be found guilty of falsifying an expense voucher is stricken
7 from this Code section, but the substance of this provision is
8 transferred to new Code section 11.55.

9 Code section 11.23, providing that each school officer
10 install and use a system of uniform blanks and forms, is
11 repealed.

12 Code sections 11.25 and 11.27, concerning the requirement of
13 the auditor to submit a biennial report to the governor and to
14 make individual audit reports, are repealed.

15 Code section 11.28, concerning individual audit reports, is
16 amended by striking requirements relative to the submission
17 of the daily audit report and required copies of certain
18 audit reports. The bill also provides that the format of the
19 reports shall comply with applicable professional standards or
20 procedures established by the auditor.

21 Code section 11.32 is amended to strike a reference to
22 the auditor having the authority to employ registered public
23 accountants. The current reference to employing certified
24 public accountants is unchanged by the bill.